

Implementing a Global Partnership for Poverty Reduction

by
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Executive Vice President Min,

Distinguished faculty and students,

I am delighted to be back in China and feel especially honored to deliver a speech at this great University. It was here at Peking University, I am told, that the famous May 4th Movement originated in 1919 -- an event in which the students of Beijing, your predecessors, took to the streets to protest against the then warlord-led government, rallying the fight against feudalism, and promoting democracy and science throughout China.

I find those themes of challenging outdated ways of thinking, while embracing more pluralistic views, and with it, science, knowledge, and learning, especially fitting today.

These were indeed the kind of sentiments exhibited during the March 2002 Financing for Development conference in Monterrey, Mexico, which marked an important turning point in meeting our aspirations on development as embodied in the Millennium Development Goals. The conference brought together heads of state; foreign, development, and finance ministers; civil society; and international institutions for perhaps the first time in an international meeting. And, more encouraging, its outcome has laid out for the global development community a greater consensus than ever about what needs to be done. The challenge before us now is to translate that consensus on the global development compact into action, by scaling up efforts on the part of developing countries and the broader international community.

Now is the time to focus on moving from words to action.

The challenge ahead is implementation -- and implementation in a way that maximizes the impact on poverty, and minimizes the administrative burden we put on poor people. This means actions taken not just on further boosting aid but on improving how aid is used, on building capacity in

countries to manage development programs, on improving trade conditions to take benefit of the globalizing world, and also, equally importantly, better aid co-ordination to ensure that resources are not wasted, and that aid is used to the benefit of poor people.

We must recognize that while there is social injustice on a global scale -- both between states and within them; while the fight against poverty is barely begun in too many parts of the world; while the link between progress in development and progress toward peace is not recognized -- enduring peace may never be realized.

On September 11, the imaginary wall that divided the rich world from the poor world came crashing down.

Belief in that wall, and in those separate and separated worlds, has for too long allowed us to view as normal a world where less than 20 percent of the population -- the rich countries -- dominates the world; its wealth and resources and takes 80 percent of its dollar income.

There is today, an important realization by rich and poor nations that no wall divides us. There are not two worlds. There is only one. In this unified, fast globalizing world, interdependence and mutual living must replace self-seeking and uncaring stances.

The process of globalization and growing interdependence has been at work for millennia.

As my friend and Nobel Prize winning economist Amartya Sen has pointed out, a millennium ago it was ideas -- not from the West -- but from China, from India and the Moslem world which gave intellectual basis for much of science, for printing, and the arts. It was the great Mogul Emperor Akbar, a Moslem, who in the sixteenth century, called for religious tolerance and openness.

Today we are linked not only by trade, investment, and finance by travel and communications but also by disease, by crime, by migration, by environmental degradation, by drugs, by financial crises and by terror. And there is now a broad consensus that these problems cannot be solved without addressing its root causes.

Poverty is our greatest long-term challenge and enemy. Grueling, mind-numbing poverty -- which snatches hope and opportunity away from young hearts and dreams just when they should take flight and soar.

Poverty -- which takes the promise of a whole life ahead and stunts it into a struggle for day-to-day survival.

Poverty -- which together with its handmaiden, hopelessness, can lead to exclusion, anger, and even conflict.

Poverty -- which does not itself necessarily lead to violence, but which can provide a breeding ground for the ideas and actions of those who promote conflict and violence.

Here, China can pride itself on a world-beating record of poverty reduction -- over the last two decades, the number of absolute poor people fell from 250 million to 34 million -- the biggest single contribution to global poverty reduction of any country in that period. These are impressive accomplishments and deserve to be celebrated. But we cannot stop here. China can and must achieve more.

In this unified world poverty is our collective enemy. Poverty is the war we must fight. We must fight it because it is morally and ethically repugnant. We must fight it because its existence is like a cancer -- weakening the whole of the body not just the parts that are directly affected.

And we need not fight blindly. For we already have a vision of what the road to victory could look like.

Last year, at the summit meeting held at the United Nations, more than 140 world leaders agreed to launch a campaign to attack poverty on a number of fronts. Together, we agreed to support the Millennium Development goals. By 2015, we said, we will:

- Halve the proportion of people living on less than one dollar a day. Ensure that boys and girls alike complete primary schooling Eliminate gender disparity at all levels of education. Reduce child mortality by two-thirds. Reduce maternal mortality by three-quarters. Rollback HIV/AIDS, malaria and other diseases. Halve the proportion of people without access to safe water, and Develop a global partnership for development

China is well on its way to meeting these targets. Over the last ten years, China has succeeded in halving the number of people living in extreme poverty, maternal mortality rates have been reduced from 95 per 100,000 live births to 50 per 100,000, and primary enrollment rates have climbed to 99%, with the girl-boy ratio almost at par.

Access to clean water supply has increased from 60% to 75%. Social and political consensus on the need to protect the environment and safeguard the future for the next generations has grown, resulting in the signing of several international conventions on climate change, desertification, ozone protection; passing of an environmental protection law and nearly 400 environmental safeguards and regulations.

China is clearly on its way. But more needs to be done.

In nearly all of these areas, regional and ethnic disparities are stark. Western provinces and rural areas are lagging behind on most of the indicators, progress has been uneven between urban and rural, and among coastal and remote/minority areas. This disparity needs to be narrowed indeed, must be narrowed, if China is to achieve its goals of broad-based economic growth, reduction of poverty, and an equitable and stable China of the 21st century.

The Western Development Initiative is a significant step in this direction, and the new National Poverty Reduction Plan addresses the need to ensure that the poorer, more remote areas have access to growth, economic and social development and better lives. The Plan is adopting a more comprehensive approach including social development and a new targeting method using a village as a unit for poverty reduction planning and funding and we are encouraged by the Government's resolve to encourage the participation of communities, non-governmental organizations and the private sector in carrying out this plan.

We know from experience that development happens fastest when poor people have the ability to influence the decisions that most affect their lives.

These are good, solid steps towards addressing poverty and inequality. Yet, in China, and around the world, clearly, more must be done to both fight poverty and to achieve the millennium goals, which, as a group address education, health, gender, environment address some of the core issues that keeps poverty entrenched.

How can anyone take issue with the millennium goals? How could anyone refuse to stand up and say that for my children and my children's children, I want a better world?

And yet, there are those who legitimately ask: can we win a war against poverty? And if we can't be sure, should we wager our resources?

To these people I would ask: can we afford to lose? How much are we prepared to commit to preserve our children's future? What is the price we are willing to pay to make progress in our lifetime toward a better world?

As we have noted, much of the growth and poverty reduction worldwide over the past twenty years has come in the two giants of the developing world, China and India; with progress too in other parts of East Asia and Latin America. Yet, too many countries are being left behind -- especially in Sub Saharan Africa.

Too much inequity between countries and within countries, too much exclusion, too many wars, too much internal strife, and now HIV/AIDS, are threatening to reverse many of the gains made over the last 40 years.

And these challenges will only grow over the next 30 years, as the global population increases by two billion to eight billion people, with almost the entire increase going to developing countries.

As we in the international development community -- international institutions and bilateral agencies, governments and NGOs -- look to the challenge before us, we must also look objectively back at the past, and do so with humility.

For too many poor people, the Cold War years were years when development stalled or even reversed; when leaders became enriched at the expense of their people; when monies were lent for the sake of politics, not development.

We have seen failure, yes, and we have seen the effects of the politicization of aid; and we must never forget its corrosive impact.

We have learned that policies imposed from outside will not work. Countries must be in charge of their own development. Policies must be locally owned and locally grown.

We have learned that any effort to fight poverty must be comprehensive. There is no magic bullet that alone will slay poverty; but we know too that there are conditions that foster successful development: education and health programs to build the human capacity of the country; good and clean government; an effective legal and justice system; and a well-organized and supervised financial system.

We have learned that corruption, bad policies and weak governance will make aid ineffective, and that country-led programs to fight corruption can succeed.

We have learned that debt-reduction for the most highly indebted poor countries is a crucial element in putting countries back on their feet, and that the funds released can be used effectively for poverty programs.

We have learned that we must focus on the conditions for investment and entrepreneurship, particularly for smaller enterprises and farms. But that is not enough for pro-poor growth: we must also promote investment in people, empowering them to make their own choices.

We have learned that development is about the long haul, reaching beyond political cycles or quick fixes -- for the surest foundation for long-term change is social consensus for long-term action.

These lessons and principles should give us heart, for more than ever today, bilateral and multilateral donors, governments and civil society are coming together in support of a set of shared principles.

More than ever today, a new wind is blowing though the world of development transforming our potential to make development happen.

And I believe we can make this happen. Through this global partnership, there is increased understanding that leaders of the developed and developing world are united by a global responsibility based on ethics, experience and self-interest.

It is recognition that opportunity and empowerment -- not charity -- can benefit us all. It is an acknowledgement that we will not create long-term peace and stability until we acknowledge that we are a common humanity with a common destiny.

In this partnership, what must developed countries do?

Leadership in the developed world needs to grasp the opportunity presented in Monterrey to take the next important step to create that more stable and peaceful world.

First, they must assist developing countries to build their own capacity in government, in business, and in their communities at large. And in doing so, they must listen to the expressed needs of developing countries

so that they help to build individual programs that are relevant and can make a real difference.

Second, they must move forward on the issue of trade openness, recognizing that without market access poor countries cannot fulfill their potential no matter how well their policies.

Third, rich nations must also take action to cut agricultural subsidies - subsidies that rob poor countries of markets for their products. Farm support goes mainly to a relatively small number of agribusinesses, many of them large corporations, and yet those subsidies of \$350 billion a year are six times what the rich countries provide in foreign aid to a developing world of close to 5 billion people.

Fourth, rich countries must recognize that even with action on trade, or agricultural subsidies, there is still a fundamental need to boost resources for developing countries [estimate an additional \$40 to \$60 billion a year to reach MDGs - roughly double aid flows]. This is something which I, along with UN Secretary General of the United Nations, Kofi Annan; as well as the United Kingdom's Chancellor of the Exchequer, Gordon Brown have been urging in recent months; and we very much welcome the recent decisions by President Bush and the European Union to boost aid spending.

There is no debate that our efforts need to be focused and effective - on this we all agreed. Too much money has been squandered in the past by decisions borne of politics not development.

The understanding is growing. Three months ago a poll of 23,000 people in 25 wealthy countries showed overwhelming support for the view that fighting poverty and addressing the gap between rich and poor should top the international agenda.

For centuries, we have focused on issues of war and peace. We have built armies and honed strategies. Today we fight a different kind of war in a different kind of world.

A world where violence does not stop at borders; a world where communications sheds welcome light on global inequities:

Where what happens in one part of the world affects another.

Inclusion, a sense of equity, empowerment, anti-corruption - these must be our weapons of the future.

And what about the other half of the compact, the developing countries "C what must they do?

In this new world, development is not about aid dependence; it is about a chance for developing countries to put in place policies that will enable their economies to grow, that will attract private investment, and allow governments to invest in their people "C promoting aid independence.

It is about treating the poor not as objects of charity, but as assets on which we can build a better and safer world. It is about scaling up "C moving from individual projects to programs; building on "C and then replicating "C for example, the successes of community-driven development and microcredit "C where the poor are at the center of the solution, not at the end of a handout.

China's own reform experience in the late 1970s with the Household Responsibility System demonstrates this: by giving the rural poor control over key decisions regarding the production of agricultural goods the policy marked a return to incentive-based mechanisms that were familiar from the past and resulted in huge gains in agricultural productivity and poverty reduction, representing possibly the largest successful social and economic change in such a short time. This shows us that when poor people are given the tools and opportunity to construct their own solutions to development problems, they will do so, often in ways unanticipated by economic policymakers or planners.

China, like some other countries, is not sitting back waiting for development to be handed to it by others. It has taken full ownership of the development process and has determined how best donor programs can support its priorities "C while emphasizing the need for appropriate institutions and systems and ensuring that the pace and nature of reforms is commensurate with local realities.

The last twenty years has witnessed remarkable economic growth in China. When government recognized that some new "territory" of reform was uncharted "C it adopted a pragmatic "learn as you go" approach to reforms "C piloting projects, introducing reforms, testing for success, and replicating, if possible, across the country "C helping to contribute to the economic success we know today as China.

Now the challenge for China, as the reform path leads into uncharted territory of opening to the global economy and growth increasingly driven by the private sector, is to continue with unfinished old reforms (financial sectors, SOEs); to address adverse side effects of reforms (increasing national and regional inequality, budgetary problems, environmental deterioration, problems with health and education) and confront new reform challenges emerging from its ascension to WTO.

Openness to trade has been a wise choice for the people of China. More reforms are needed to enhance governance, alleviate social pressures, mitigate environmental degradation and strengthen infrastructure "C while promoting innovation and change.

The factors which led to China's past success "C agricultural reforms, opening to world markets, expanding investment and trade "C will not be able to be replicated to drive future growth. Its future success and competitiveness is going to rely on increasing the productivity of labor and capital and acquiring new knowledge in this new century of rapid technological change, open and competitive economies, and knowledge-based industries. In this environment, stable countries with well-educated and healthy people will realize the most rapid progress.

China must continue to invest in education and the knowledge economy. The future of China's growth lies in these

While China today compares favorably in education accomplishments with most of the countries of similar income level, substantial challenges remain due to remaining pockets of poverty, persistent structural weakness and widening disparity of income and inequality in sharing the benefits of growth.

And, though China has made significant progress on improving access and quality of basic and primary education, it is falling behind its neighbors in ensuring the same level of secondary and higher education, essential to building the kind of versatile, well-skilled workforce needed to compete in the 21st century.

I am encouraged by Government's recognition of the need to both: (1) ensure there are adequate resources for the weakest parts of the system "C especially poor rural areas "C to provide increased access to high-quality basic education to all, and (2) encourage the strongest parts of the system "C especially in the urban and coastal areas "C to increase their quality to grow and prosper as fast as possible. And I pledge the support of the World Bank is assisting China achieving both of these objectives.

By investing in education, China can build the human capacity it needs to take full advantage of the unprecedented opportunities offered by a new globalized world economy, while ensuring that each individual has the opportunity to thrive personally, contribute productively to the country's goals, and break free of the burden of poverty.

Knowledge and information are becoming the key drivers of international competitiveness and the global economy. China must not be left behind.

To compete and prosper in this new environment China has to move away from factor intensive growth toward knowledge based growth, become more open and harness the forces shaping the global economy, leapfrogging to take advantage of rapidly evolving technologies "C technologies which some of its neighbors have already been developing and using.

In order to do this, China needs to make major changes in its development strategy to upgrade and create new institutions and infrastructure critical to harnessing the knowledge revolution "C this involves updating its legal and financial networks, intellectual property rights, education upgrading, information infrastructure, etc.

And, a huge challenge will be to provide supportive environment for diffusion of technology into enterprises with backward technology in the less developed parts of the country. If foreign investments and technology-driven growth remain concentrated in cities of East China, the rest of the country will increasingly fall behind, and existing regional inequalities across China will further deepen.

We are working with China on a range of initiatives, including using the Global Distance Learning Network (GDLN) to link not only Beijing with other Asian capitals but also to help it link with smaller, regional centers "C such as the new center in Ningxia. Efforts are underway to use the GDLN network via the China Country Gateway, to extend throughout China by linking up Mayors to share experiences and develop common strategies for well-planned, well-serviced and environmentally friendly city development.

We at the Bank fully support this move towards embracing the potential of the "Knowledge Economy" and see our role as a catalyst, a facilitator, a broker and a connector, positioned at a major intersection in the network economy, connecting global learning opportunities together with investment assistance for local development.

I have spoken now of both sides of the partnership "C of the developed countries, and leadership in the developing world "C as exemplified by China. I believe we have a greater chance today, than perhaps at any other time in the last 50 years, for both sides of the partnership to work together, to fulfill their part of the bargain, and work together to win that war and forge that new partnership for peace.

We need to go further. We can do more. China can and must accomplish more.

Across the world, we must educate our children "C students such as you who are standing before me today "C to be global citizens with global responsibilities.

We must celebrate diversity, not fear it. We must build curricula around understanding, not suspicion; around inclusion not hate.

We must tell our children to dare to be different - international, intercultural, interactive, global. We must do better with the next generation than we have done with our own.

Thank you.